

This monthly newsletter provides an update on the Working Group on Sterling Risk-Free Reference Rates and broader developments internationally on the transition to alternative risk-free reference rates (RFRs). If you have questions about any of the content or would like to get involved in any of the events mentioned please contact RFR.Secretariat@bankofengland.co.uk

Key Milestone Dates

- **April 2019** – Nationwide Building Society issued the first distributed SONIA-referencing UK RMBS and used conventions seen in recent SONIA-linked FRNs. It also converted its balance sheet to a SONIA-referencing basis (from LIBOR).
- **May 2019** – ISDA to launch request for market feedback on pre-cessation issues and related documentation solutions for derivatives.
- **Q2 2019** – IASB plan to publish an Exposure Draft on IBOR reform and its effect on financial reporting.
- **July 2019** – ISDA to produce description of methodology for adjustments and questions regarding open IBOR fall-back issues.
- **July 2019** – ISDA publication of complete methodology to be implemented and questions regarding issues for review and comment.

Working Group on Sterling Risk-Free Reference Rate Updates

- In March, the Working Group reiterated that a robust forward-looking SONIA term rate could play an important role in facilitating transition from LIBOR to SONIA for some segments of the cash market. Benchmark providers have contacted the Working Group about the development of such benchmarks.
- The Working Group also reiterated that compounded SONIA remains an appropriate and available alternative to LIBOR for many end-users. Further work is planned during 2019 to build upon the recent [discussion paper](#) on emerging SONIA conventions to provide further support and examples of how compounded SONIA can be used in new contracts.
- Minutes from the March meeting are to be made available shortly. The Working Group will next meet on 14th May 2019.

Market Developments

- ISDA published a [letter to the Financial Stability Board Official Sector Steering Group \(OSSG\)](#) to update on progress and next steps regarding its work to improve the contractual robustness of derivative contracts referencing key IBORS. ISDA expect to launch a supplemental consultation for EUR-LIBOR and EURIBOR at a point after the publication of €ESTR.
- The Global Financial Markets Association published a [briefing](#) to raise market awareness on the global transition efforts from IBORS to new RFRs.
- The Dutch Central Bank and Netherlands Authority for the Financial Markets issued a [joint letter](#) (in Dutch) asking financial institutions to provide details of their plans to transition away from critical benchmarks (e.g. LIBOR) by 2022, similar to that of the joint FCA/PRA [Dear CEO letter](#) sent to major UK banks and insurers.

Official Sector Updates

- The Financial Stability Board held a [Roundtable](#) event on 10th April, to highlight international co-ordination and remind market participants of the importance of a smooth transition away from LIBOR, and that the rate of transition “needs to continue to accelerate”. The event was attended by Bank of England, Financial Conduct Authority, and Federal Reserve Bank.
- The 23rd April 2019 marked the one year anniversary that the Bank of England began [publishing](#) reformed SONIA.

Non-Sterling RFR Updates

- The US Alternative Reference Rates Committee (ARRC) has designated [Tom Wipf](#) (Morgan Stanley) to succeed Sandra O'Connor (JPM Chase) as its Chair, following her retirement earlier in the month.
- To commemorate the one year anniversary of SOFR, the ARRC [published](#) an update of progress of growth in using SOFR.
- The ARRC sent a [letter](#) to the US Department of the Treasury and US Internal Revenue Service requesting guidance on US tax issues arising from the markets transition from LIBOR and IBORS.
- The ARRC [published](#) a SOFR User Guide explaining how market participants can use SOFR in cash products, and reiterated the message that the market should not wait for forward-looking rates before transitioning.
- The ARRC [published](#) recommended contractual fallback language for [floating rate notes](#) and [syndicated loans](#) referencing US Dollar LIBOR. Responses received by the ARRC from consultations on fallback language for [bilateral business loans](#) and [securitisations](#) have also been published, with final recommended language pending.
- The working group on Euro risk-free rates agreed to a reorganisation of its sub-groups at its [March meeting](#), which included the addition of the following work and related sub-groups:
 - Sub-group 5 – Adoption by cash products & derivatives;
 - Sub-group 6 – Financial accounting & risk management issues; and
 - Sub-group 7 – Communication towards & education of all market participants.

Key Liquidity Indicators

Listed Futures (data provided by futures exchanges)

	Aggregated across all products as at end-March			
	Monthly traded volume	Change since last month (%)	Number of contracts outstanding (Open Interest)	Change since last month (%)
GBP LIBOR	20,515,261	6,985,218 (52%)	3,949,283	-378,142 (-9%)
SONIA	652,848	94,541 (17%)	102,488	8,386 (9%)

LCH Swaps Statistics (from [LCH website](#))

	As at end-March (£billions)*		
	Notional traded March	Notional outstanding as of end-March	Outstanding change since last month (%)
GBP LIBOR (including FRAs)	4,945	17,898	-297 (-1.6%)
SONIA	4,618	8,929	-199 (-2.2%)

*Note: These have now been updated to monthly figures (rather than YTD) to align with the futures data above.